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Report No: PAD1481

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND  
INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED SECOND ADDITIONAL GRANT

IN THE AMOUNT OF US\$6.9 MILLION

TO THE

PALESTINE LIBERATION ORGANIZATION  
(for the Benefit of the Palestinian Authority)

FOR A

SECOND MUNICIPAL DEVELOPMENT PROJECT

March 21, 2016

Social, Urban, Rural and Resilience Global Practice  
Middle East and North Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective December 31, 2015)

Currency Unit = New Israeli Shekel (NIS)  
US\$ 1 = NIS 3.909  
NIS 1 = US\$ 0.25582

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
GRS	Grievance Redress Services
ISR	Implementation Status and Results Report
MDLF	Municipal Development and Lending Fund
MDP 2	Second Municipal Development Project
MDTF	Multi-Donor Trust Fund
OM	Operational Manual
PA	Palestinian Authority
PDO	Project Development Objective
PID	Partnership for Infrastructure Development

Vice President:	Hafez H. M. Ghanem
Country Director:	Steen Lau Jorgensen
Senior Global Practice Director:	Ede Jorge Ijjasz-Vasquez
Practice Manager/Manager:	Ayat Soliman
Task Team Leader:	Christianna Johnnides

## SECOND MUNICIPAL DEVELOPMENT PROJECT

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## ADDITIONAL FINANCING DATA SHEET

*West Bank and Gaza*

*GZ-Second Municipal Development Project AF (P155268)*

*MIDDLE EAST AND NORTH AFRICA*

*Social, Urban, Rural and Resilience Global Practice*

Basic Information – Parent							
Parent Project ID:	P127163	Original EA Category:		B - Partial Assessment			
Current Closing Date:	28-Feb-2018						
Basic Information – Additional Financing (AF)							
Project ID:	P155268	Additional Financing Type (from AUS):	Restructuring, Cost overrun				
Regional Vice President:	Hafez M. H. Ghanem	Proposed EA Category:					
Country Director:	Steen Lau Jorgensen	Expected Effectiveness Date:	4- April-2016				
Senior Global Practice Director:	Ede Jorge Ijjasz-Vasquez	Expected Closing Date:	28-Feb-2018				
Practice Manager/Manager:	Ayat Soliman	Report No:	PAD1481				
Team Leader(s):	Christianna Johnnides Brotsis						
Approval Authority							
Approval Authority							
RVP Decision							
Borrower							
Organization Name	Contact	Title	Telephone	Email			
Palestine Liberation Organization	Laila Sbailh	2973328	0599111731	lsbaih@yahoo.com			
Project Financing Data - Parent ( GZ-Second Municipal Development Project-P127163 ) (in USD Million)							
Key Dates							
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P127163	TF-14164	Effective	07-Jul-2013	07-Jul-2013	22-Aug-2013	28-Feb-2017	28-Feb-2018

P127163	TF-16476	Effective	26-Mar-2014	26-Mar-2014	17-Apr-2014	30-Jun-2017	30-Jun-2017		
P152523	TF-18184	Effective	07-Dec-2014	07-Dec-2014	29-Jan-2015	28-Feb-2018	28-Feb-2018		
P152523	TF-18378	Effective	07-Dec-2014	07-Dec-2014	29-Jan-2015	28-Feb-2018	28-Feb-2018		
<b>Disbursements</b>									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P127163	TF-14164	Effective	USD	10.00	10.00	0.00	7.26	2.74	72.55
P127163	TF-16476	Effective	USD	25.80	25.80	0.00	13.52	12.28	52.40
P152523	TF-18184	Effective	USD	3.00	3.00	0.00	2.49	0.52	83.00
P152523	TF-18378	Effective	USD	12.00	12.00	0.00	9.61	2.39	80.00
<b>Project Financing Data - Additional Financing GZ-Second Municipal Development Project AF ( P155268 )(in USD Million)</b>									
<input type="checkbox"/>	Loan	<input checked="" type="checkbox"/>	Grant	<input type="checkbox"/>	IDA Grant				
<input type="checkbox"/>	Credit	<input type="checkbox"/>	Guarantee	<input type="checkbox"/>	Other				
Total Project Cost:		6.90		Total Bank Financing:		0.00			
Financing Gap:		6.90							
Financing Source – Additional Financing (AF)							Amount		
Borrower							0.00		
Partnership for Infrastructure Development Multi Donor Trust Fund							6.90		
Total							6.90		
<b>Policy Waivers</b>									
Does the project depart from the CAS in content or in other significant respects?							No		
Explanation									
Does the project require any policy waiver(s)?							No		
Explanation									
<b>Team Composition</b>									
<b>Bank Staff</b>									

<b>Name</b>	<b>Role</b>	<b>Title</b>	<b>Specialization</b>	<b>Unit</b>
Christianna Johnnides Brotsis	Team Leader (ADM Responsible)	Senior Urban Management Specialist		GSU11
Basheer Ahmad Fahem Jaber	Procurement Specialist (ADM Responsible)	Procurement Analyst		GGO05
Nadi Yosef Mashni	Financial Management Specialist	Financial Management Specialist		GGO23
Andrianirina Michel Eric Ranjeva	Team Member	Finance Officer		WFALA
Bjorn Philipp	Team Member	Program Leader		MNC04
Hana Salah	Safeguards Specialist	Consultant		GSU05
Maha Muhammad Bali	Team Member	Senior Program Assistant		MNC04
Mariana T. Felicio	Safeguards Specialist	Social Development Specialist	Social Safeguards	GSU05
Mohammad Nadeem	Counsel	Legal Analyst		LEGAM
Noriko Oe	Team Member	Urban Specialist		GSU11
Sabine W. Beddies	Team Member	Sr Urban Spec.		GSU11
Sophie Hans-Moevi	Team Member	Program Assistant		GSU05
Zeyad Abu-Hassanein	Environmental Specialist	Sr Water & Sanitation Spec.		GEN05

**Extended Team**

<b>Name</b>	<b>Title</b>	<b>Location</b>

**Locations**

<b>Country</b>	<b>First Administrative Division</b>	<b>Location</b>	<b>Planned</b>	<b>Actual</b>	<b>Comments</b>
West Bank and Gaza	Gaza Strip	Gaza Strip		X	
West Bank and Gaza	West Bank	West Bank		X	

**Institutional Data**

**Parent ( GZ-Second Municipal Development Project-P127163 )**

<b>Practice Area (Lead)</b>				
Social, Urban, Rural and Resilience Global Practice				
<b>Contributing Practice Areas</b>				
<b>Cross Cutting Topics</b>				
[ ] Climate Change				
[ ] Fragile, Conflict & Violence				
[ ] Gender				
[ ] Jobs				
[ ] Public Private Partnership				
<b>Sectors / Climate Change</b>				
Sector (Maximum 5 and total % must equal 100)				
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Public Administration, Law, and Justice	Sub-national government administration	26		3
Transportation	Urban Transport	23		
Water, sanitation and flood protection	General water, sanitation and flood protection sector	23		
Energy and mining	Transmission and Distribution of Electricity	23		
Energy and mining	Other Renewable Energy	5		100
Total		100		
<b>Themes</b>				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Urban development	Urban services and housing for the poor	76		
Public sector governance	e-Government	8		
Environment and natural resources management	Climate change	6		
Urban development	Municipal governance and institution building	5		

Social dev/gender/inclusion	Gender	5		
Total		100		
<b>Additional Financing GZ-Second Municipal Development Project AF ( P155268 )</b>				
<b>Practice Area (Lead)</b>				
Social, Urban, Rural and Resilience Global Practice				
<b>Contributing Practice Areas</b>				
<b>Cross Cutting Topics</b>				
<input type="checkbox"/> Climate Change				
<input type="checkbox"/> Fragile, Conflict & Violence				
<input type="checkbox"/> Gender				
<input type="checkbox"/> Jobs				
<input type="checkbox"/> Public Private Partnership				
<b>Sectors / Climate Change</b>				
Sector (Maximum 5 and total % must equal 100)				
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Public Administration, Law, and Justice	Sub-national government administration	26		
Energy and mining	Other Renewable Energy	5		
Energy and mining	Transmission and Distribution of Electricity	23		
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Water, sanitation and flood protection	General water, sanitation and flood protection sector	23		
<b>Themes</b>				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Public sector governance	e-Government	8		
Social dev/gender/inclusion	Gender	5		
Urban development	Urban services and housing for the poor	76		



Urban development	Municipal governance and institution building	5
Environment and natural resources management	Climate change	6
Total		100

## **I. Introduction**

1. This Project Paper seeks the approval of the Regional Vice President to provide an additional grant in the amount of US\$6.9 million from the Partnership for Infrastructure Development (PID) Multi-Donor Trust Fund (MDTF) in the West Bank to the Palestinian Liberation Organization (for the benefit of the Palestinian Authority), *P127163, [TF 14164, TF-16476]* for the Second Municipal Development Project (MDP2) to close a financing gap in the second cycle of the project.

## **II. Background and Rationale for Additional Financing**

2. **MDP2.** A grant of US\$10 million from the Trust Fund for Gaza and West Bank (TFGWB)

for MDP2 was approved by the Board and signed on July 7, 2013, and became effective on August 22, 2013. The PDO was to improve the Recipient's municipal management practices for better municipal transparency and service delivery. The Project had four components: (i) Municipal Grants for Capital Investments; (ii) Support to Municipal Innovations and Efficiency; (iii) Capacity building for Municipalities and the Municipal Development and Lending Fund (MDLF); and (iv) Project Implementation Support and Management Costs.

3. **Co-Financing of MDP2.** The Project is co-financed through the World Bank administered Palestine Partnership for Infrastructure Development (PID) Multi-Donor Trust Fund (MDTF) for US\$25.8 million equivalent, which was approved and signed on March 26, 2014 and became effective on April 17, 2014.

4. **Additional Financing (AF) and Restructuring of MDP2.** Additional financing (AF) of US\$15 million (US\$12 million from PID MDTF and US\$3 million from TFGWB) for MDP2 was approved on October 30, 2014 to scale up project activities to support emergency response efforts in Gaza following the damages and service interruptions that resulted from the conflict in Gaza in July-August 2014; MDP2 was also restructured at the same time. As a result, the following changes became effective on January 29, 2015: (i) MDP2 PDO was modified to "improve the Recipient's municipal management practices for better municipal transparency and service delivery, and to restore priority municipal services following the conflict in Gaza"; (ii) a fifth component, Gaza Municipal Emergency Grants, was added; (iii) procurement arrangements in line with OP/BP10.00 paragraph 12 to allow simplified procurement procedures were added; and (iv) results indicators were revised to measure the performance of activities financed by the AF.

5. **Performance of MDP2, including co-financing and AF.** The mid-term review in October 2015 confirmed that implementation of MDP2 (including the co-financing and AF) is proceeding satisfactorily and the project has been rated Satisfactory throughout its project life. The current PDO is expected to be achieved by the closing date of February 28, 2018. There are no fiduciary or safeguard issues and there are no overdue audit reports or outstanding audit issues. All legal covenants have been complied with. The status of implementation of the five components is summarized below.

6. **Component 1. Municipal Grants for Capital Investment.** This Component allocates

performance-based grants for capital investment service provision sectors described as eligible in the Operational Manual (OM) as well as for operating expenditures for municipalities in Gaza, and is being implemented in two cycles of approximately 18 months each. The allocation amount is determined through a transfer formula consisting of performance (50 percent), population (30 percent) and need (20 percent). To determine performance, municipalities are ranked from A through E, based on 16 good governance indicators. Need is calculated using proxy indicators for municipal infrastructure, poverty rates and a flat rate allocation to municipalities. Municipalities propose priority sub-projects, based on a consultative planning process, which will be financed and implemented with assistance from the MDLF. By project mid-term, Cycle 1 was completed and the evaluations for selection of Cycle 2 sub-projects are underway. In general, project implementation is satisfactory with the project at mid-term, meeting or exceeding most of its key performance indicators including those related to the additional financing for Gaza meant to reflect the results specific to the Gaza emergency response activities financed under Component 5. For example, the number of municipalities that have graduated up the performance category in which they were classified during appraisal is 70 municipalities compared to a target of 25 municipalities. Three of the 138 municipalities have moved four steps and 1 municipality has moved six steps in the performance ranking mechanism. The share of identified priority damages repaired by Gaza municipalities is around 39% against an end target of 30% of estimated damages (expressed in monetary value).

**7. Component 2. Support to Municipal Innovations and Efficiency.** Component 2 pilots

learning and innovation for municipal development, including implementation of Ministry of Local Government (MoLG) policy decisions. The Component includes (a) Strengthening Newly Amalgamated Municipalities towards achieving service levels in existing municipalities through financing small-scale social infrastructure and demand driven municipal capacity building packages, (b) Piloting Innovations for improved municipal responsiveness support: (i) Introduction of e-governance in four selected municipalities for more responsive service provision; (ii) Renewable Energy to assist municipalities in piloting sub-projects with a focus on solar energy for public facilities; and (iii) Support to Local Economic Development (LED) initiatives to develop a municipal approach to LED and pilot the approach in four municipalities. The component is progressing and highlights include completion of Phase 1 of the LED program. The e-governance sub-component and installation of solar operating systems are being piloted in selected municipalities. For example, four pilot municipalities are preparing for implementation of the E-Municipality Software (EMS) and the Solar Photovoltaic System is operating in Anata, AlItihad, AlThahryeh, Baqa AlShaqyeh, Hebron, Nablus and Qabalan municipalities. Deir AlBalah and Abbassan AlKabera were selected to install 15 KWp, and 5KWp off-grid Solar PV systems.

**8. Component 3. Capacity Building for Municipalities and the MDLF.** This component

supports municipalities in improving their performance to graduate to a higher performance category within which they are currently classified. Component 3 is also progressing with all municipalities having completed Strategic Development Investment Planning (SDIP), and Fixed Asset Registration and Valuations (FARV). The Operations and Maintenance activity is moving towards its objectives by developing a web-based software that will assist

municipalities manage their assets, alongside the O&M Manual (which provides technical guidance for O&M, as well as guidance on managing the system and software).

**9. Component 4. Project Implementation Support and Management Costs.** This component finances goods and consultants services for monitoring and evaluation, outreach and communication and local technical consultants for the engineering supervision of Component 1 and the MDLF management fee. Component 4 is also performing satisfactorily with a recently completed internal audit that was sent to the Financing Partners for their information. This is a welcomed step that had been discussed throughout the implementation of the program and demonstrates the willingness of MDLF to improve transparency.

**10. Component 5. Gaza Municipal Emergency Grants.** This component finances grants to Gaza municipalities for capital investment service provision. Allocations to municipalities were made based on the results of the Municipal Damage Assessment, determined by the share of grants allocated to individual municipalities. By the Mid-term Review, almost 50 percent of projects were completed with the majority in the roads and public facilities sectors.

11. All components are progressing satisfactorily and expected to be completed by the closing date.

**12. Rationale for Additional Financing.** At the time of MDP2 approval, it was anticipated that there would be a financing gap due to an increase in population (7 percent population growth over the last two years<sup>1</sup>) and increased incentives based on performance<sup>2</sup>. However, these funds were not available at project approval because of donor budget cycles. The proposed additional financing will help close the financing gap for the second 18-month cycle of Component 1 of MDP2, which funds infrastructure sub-projects that the municipalities rely upon as part of their capital investments. Activities under the proposed AF are expected to be completed by February 28, 2018, the current closing date established at the approval of the first additional financing.

**13. Alignment with Bank and Palestinian Authority Strategies.** The proposed AF is fully aligned with Pillar 1 of the World Bank Group's West Bank and Gaza Assistance Strategy FY15-16, (Report 89503-GZ) (Strengthen public institutions to ensure service delivery to citizens), and is in line with the World Bank Group's Middle East and North Africa Region's strategic pillars on renewing the social contract and recovery and reconstruction. The AF is also aligned with the Palestinian Authority's (PA) Sector Strategy and its multiphase Municipal Development Program. The PA program operationalizes the goal of strengthening local governments, which is included in the National Development Plan (2014-2016). In addition, the proposed AF supports the World Bank Group's strategic goals

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<sup>1</sup> Population element of the formula is based on €10.45 per capita. Population increased by 3.7 million from 2013-2014.

<sup>2</sup> Incentives based on performance around 4 percent over cycle 1.

of ending extreme poverty and boosting shared prosperity in a sustainable manner through enhanced public service delivery at the municipal level.

14. **Alternatives to Additional Financing.** Since the proposed AF aims to close the financing gap to carry out the second cycle of municipal grants (Component 1) and to complete the project, a new operation is not considered appropriate. The proposed AF will be funded from the Partnership for Infrastructure Development (PID) Multi-Donor Trust Fund (MDTF) in the West Bank.

### **III. Proposed Changes**

### Summary of Proposed Changes

The proposed AF will be used to address a financing gap in the implementation of the second cycle of Component 1: Municipal Grants for Capital Investment (US\$6.417 million) and Component 4 (i) MDLF Management Fee (US\$483,000). The end targets for the Results Framework will be revised upwards as many of them have been achieved. The following consequential changes are proposed: costs of Components 1 and 4, as well as overall project costs will be correspondingly adjusted; the disbursement estimates will be adjusted.

Change in Implementing Agency	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Project's Development Objectives	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Results Framework	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Change in Safeguard Policies Triggered	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change of EA category	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Other Changes to Safeguards	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Legal Covenants	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Loan Closing Date(s)	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Cancellations Proposed	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Disbursement Arrangements	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Reallocation between Disbursement Categories	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Disbursement Estimates	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Change to Components and Cost	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Change in Institutional Arrangements	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Financial Management	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Procurement	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Implementation Schedule	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Other Change(s)	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]

### Development Objective/Results

#### Project's Development Objectives

##### Original PDO

The current Objective of the Project (i.e., the PDO approved at the time of the earlier AF and restructuring) is to improve the Recipient's municipal management practices for better municipal transparency and service delivery, and to restore priority municipal services following the conflict in Gaza.

#### Change in Results Framework

The end targets for the Results Framework will be revised upwards as many of them have been achieved.

<b>Compliance</b>						
<b>Covenants - Additional Financing ( GZ-Second Municipal Development Project AF - P155268 )</b>						
<b>Source of Funds</b>	<b>Finance Agreement Reference</b>	<b>Description of Covenants</b>	<b>Date Due</b>	<b>Recurrent</b>	<b>Frequency</b>	<b>Action</b>
				<input type="checkbox"/>		
<b>Conditions</b>						
<b>Source Of Fund</b>		<b>Name</b>		<b>Type</b>		
PID MDTF		Article V 5.01 (a)		Effectiveness		
<b>Description of Condition</b>						
The execution and delivery of this Agreement on behalf of the Recipient and of the Project Agreement on behalf of the Project Implementing Entity have been duly authorized or ratified by all necessary governmental and corporate action.						
<b>Source Of Fund</b>		<b>Name</b>		<b>Type</b>		
PID MDTF		Article V 5.01 (b)		Effectiveness		
<b>Description of Condition</b>						
The Subsidiary Agreement referred to in Section I.A of Schedule 2 to the Agreement has been executed on behalf of the Recipient and the Palestinian Authority.						
<b>Source Of Fund</b>		<b>Name</b>		<b>Type</b>		
PID MDTF		Article V 5.01 (c)		Effectiveness		
<b>Description of Condition</b>						
The On-Granting Agreement referred to in Section I.A of Schedule 2 to the Agreement has been executed on behalf of the Palestinian Authority and the Project Implementing Entity.						
<b>Risk</b>						
<b>Risk Category</b>					<b>Rating (H, S, M, L)</b>	
1. Political and Governance					High	
2. Macroeconomic					Substantial	
3. Sector Strategies and Policies					Low	
4. Technical Design of Project or Program					Moderate	
5. Institutional Capacity for Implementation and Sustainability					Moderate	
6. Fiduciary					Moderate	
7. Environment and Social					Moderate	
8. Stakeholders					Moderate	
9. Other						
OVERALL					Moderate	

<b>Finance</b>										
<b>Loan Closing Date - Additional Financing ( GZ-Second Municipal Development Project AF - P155268 )</b>										
<b>Source of Funds</b>					<b>Proposed Additional Financing Loan Closing Date</b>					
PID MDTF					28-Feb-2018					
<b>Change in Disbursement Estimates (including all sources of Financing)</b>										
Explanation: The table below on Expected Disbursements is based on: disbursements to date in 2014 and 2015 and anticipated disbursements (including from the proposed AF).										
<b>Expected Disbursements (in USD Million)(including all Sources of Financing)</b>										
Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Annual	6.00	12.00	14.00	12.80	12.90	0.00	0.00	0.00	0.00	0.00
Cumulative	6.00	18.00	32.00	44.80	57.70	0.00	0.00	0.00	0.00	0.00
<b>Allocations - Additional Financing ( GZ-Second Municipal Development Project AF - P155268 )</b>										
Source of Fund	Currency	Category of Expenditure	Allocation				Disbursement %(Type Total)			
			Proposed				Proposed			
PID MDTF		Sub-grants under Part 1 of the Project	6,417,000.00				100.00			
PID MDTF		MDLF Management Fee under Part 4 (i) of the Project (including financial audit)	483,000.00				100.00			
		<b>Total:</b>	6,900,000.00							
<b>Components</b>										
Explanation: Current Cost reflects project activities to be carried out from all current sources of financing, while Proposed Cost takes into account funds available from the proposed AF.										
Current Component Name	Proposed Component Name	Current Cost (US\$M)	Proposed Cost (US\$M)	Action						
Municipal Grants for Capital Investments	Municipal Grants for Capital Investments	7.03	13.45	Revised						
Support to Municipal Innovations and Efficiency	Support to Municipal Innovations and Efficiency	0.77	0.77	No change						



Capacity Building for Municipalities and MDLF	Capacity Building for Municipalities and MDLF	0.60	0.60	No change
Project Implementation Support and Management Costs	Project Implementation Support and Management Costs	1.60	2.08	Revised
Gaza Municipal Emergency Grants	Gaza Municipal Emergency Grants	13.95	13.95	No change
	<b>Total:</b>	23.95	30.85	

### Appraisal Summary

#### Economic and Financial Analysis

**Explanation:**

As in the original grant, priority municipal sub-projects will be selected by each participating municipality on a demand-driven basis. The economic and financial benefits of the project will be measured ex-ante based on the methodologies in the Operational Manual under "Guidelines for the Economic and Financial Analysis of Sub-projects". The financial rate of return will be calculated for revenue generating sub-projects. Cost efficiency measured by net present value (NPV) per beneficiary will be calculated for the remaining sub-projects.

The MDLF can require a separate justification by the applicant municipality for those projects that have high costs per beneficiary (Financial NPV above EUR100), a financial rate of return below 15 percent for revenue generating projects, revenues below Operations and Maintenance (O&M) costs for public services, and own costs higher than 90 percent of comparable rental costs for public buildings and construction equipment. MDLF technical units and Local Technical Consultants (LTCs) can advise on technical alternatives or different sub-projects that are more likely to yield higher benefits for the community.

#### Technical Analysis

**Explanation:**

The PDO, project design, implementation and fiduciary arrangements will remain unchanged. The bulk of the AF will be used to fund Cycle 2 sub-projects under Component 1: Municipal Grants for Capital Investment that meet eligibility requirements outlined in the Operations Manual (which includes quotas for women and youth).

Procurement for the AF will be carried out in accordance with the 'Guidelines: Procurement of Goods, Works and non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers' and the 'Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers' published by the Bank in January 2011, revised July 2014, the Grant Agreement and the Procurement Plan approved by the World Bank. The 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants' published in October 2006 and revised in January 2011 shall apply to the project.

<b>Social Analysis</b>
<p>Explanation:</p> <p>As public disclosure of sub-project information will enhance social accountability between municipalities and citizens, several citizen engagement activities will be implemented, including information for citizens about subproject type, budget, duration, in a sample of municipalities, a Participatory M&amp;E pilot in 10 municipalities that aims to engage citizens in the monitoring and evaluation of municipal activities and service delivery. Other CE activities include creation of citizen service centers; development and distribution of services charters; development of a social accountability toolkit and national manual; and an e-municipality pilot in 4 municipalities. Social safeguards under MDP2 will also apply to the proposed AF.</p>
<b>Environmental Analysis</b>
<p>Explanation:</p> <p>Environmental safeguards policies triggered under MDP2 will apply to the proposed AF. The Environmental and Social Management Framework, disclosed on March 24, 2013 for the parent project remains applicable to the AF.</p>
<b>Risk</b>
<p>Explanation:</p> <p>The overall risk rating for the implementation of the proposed AF will remain unchanged from the current moderate rating of MDP2 as the proposed AF is merely meeting a financing gap in Cycle 2 of Component 1. The political and governance risk rating is High, due to the exceptional political and security situation in the West Bank and Gaza. The macroeconomic risk is substantial due to the continued fiscal distress of the Palestinian Authority over a prolonged period.</p>

## V. World Bank Grievance Redress

15. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## RESULTS FRAMEWORK

Project Name:	GZ-Second Municipal Development Project AF (P155268)	Project Stage:	Additional Financing	Status:	DRAFT
Team Leader(s):	Christianna Johnnides Brotsis	Requesting Unit:	MNC04	Created by:	Christianna Johnnides Brotsis on 06-May-2015
Product Line:	Recipient Executed Activities	Responsible Unit:	GSU11	Modified by:	Christianna Johnnides Brotsis on 21-Mar-2016
Country:	West Bank and G	Approval FY:	2016		
Region:	MIDDLE EAST AND NORTH AFRICA	Lending Instrument:	Investment Project Financing		
Parent Project ID:	P127163	Parent Project Name:	GZ-Second Municipal Development Project (P127163)		

### Project Development Objectives

Original Project Development Objective - Parent:

The Revised Objective of the Project is to improve the Recipient's municipal management practices for better municipal transparency and service delivery, and to restore priority municipal services following the conflict in Gaza.

Proposed Project Development Objective - Additional Financing (AF):

The PDO is "to improve the Recipient's municipal management practices for better municipal transparency and service delivery, and to restore priority municipal services following the conflict in Gaza".

### Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

### Project Development Objective Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Number of municipalities that	<input type="checkbox"/>	Number	Value	0.00	70.00	80.00

	graduate up the performance category in which they are currently classified, by the end of MDP-II	<input type="checkbox"/>		Date	28-Mar-2013	21-Mar-2016	28-Feb-2018
				Comment			
Revised	Number of municipalities that graduate to A ranking, by the end of MDP-II	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	0.00	2.00
				Date	28-Mar-2013	21-Mar-2016	28-Feb-2018
				Comment			
Revised	Number of Municipalities that graduate to B ranking	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00	54.00	50.00
				Date	28-Mar-2013	21-Mar-2016	28-Feb-2018
				Comment			
New	Affected population in Gaza with access to restored municipal services	<input type="checkbox"/>	Number	Value	0.00	1147133.00	1000000.00
				Date	15-Oct-2014	21-Mar-2016	28-Feb-2018
				Comment			
No Change	Percentage of municipalities that apply social accountability measures, specifically, at least two public disclosure mechanisms, by the end of MDP-II.	<input type="checkbox"/>	Percentage	Value	68.00	94.00	80.00
				Date	28-Feb-2013	21-Mar-2016	28-Feb-2018
				Comment			
Revised	Municipalities publically disclosing external audit reports with minimum standards, and with unqualified opinion	<input type="checkbox"/>	Number Sub Type Supplemental	Value	0.00	69.00	80.00
Revised	Municipalities publically disclosing participatory SDIP execution and updates.	<input type="checkbox"/>	Number Sub Type Supplemental	Value	0.00	129.00	100.00
Revised	Municipalities establishing service quality standards for	<input type="checkbox"/>	Number Sub Type	Value	8.00	14.00	40.00

	tracking in Citizen Service Support Centers	<input type="checkbox"/>	Supplemental				
No Change	Percentage of investments financed under the Project that are operational and in an adequate state of usability, according to technical audits.	<input type="checkbox"/>	Percentage	Value	0.00	90.00	90.00
				Date	28-Feb-2013	21-Mar-2016	28-Feb-2018
				Comment			
No Change	Direct project beneficiaries	<input checked="" type="checkbox"/>	Number	Value	0.00	5155670.00	2000000.00
				Date	28-Mar-2013	21-Mar-2016	28-Feb-2018
				Comment			
No Change	Female beneficiaries	<input checked="" type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00	0.00	49.00
Revised	Beneficiaries from roads established/rehabilitated, by the end of MDP-II	<input type="checkbox"/>	Number	Value	0.00	2485420.00	1200000.00
				Date	28-Mar-2013	21-Mar-2016	28-Feb-2018
				Comment			

### Intermediate Results Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
No Change	Number of people in urban areas provided with access to all-season roads within a 500 meter range under the project	<input checked="" type="checkbox"/>	Number	Value	0.00	0.00	260000.00
				Date	28-Mar-2013	21-Mar-2016	28-Feb-2018
				Comment			
New	Share of identified priority damages repaired by Gaza municipalities	<input type="checkbox"/>	Percentage	Value	0.00	39.00	30.00
				Date	15-Oct-2014	21-Mar-2016	28-Feb-2018
				Comment			
Revised	Roads rehabilitated, by the end of MDP-II	<input type="checkbox"/>	Kilometers	Value	0.00	192.00	350.00
				Date	28-Mar-2013	21-Mar-2016	28-Feb-2018
				Comment			

Revised	Number of municipalities that have succeeded in piloting one of the following innovative ideas under Component 2 (renewable energy, E-Municipality, and Local Economic Development)	<input type="checkbox"/>	Number	Value	0.00	0.00	8.00
				Date	28-Feb-2013	21-Mar-2016	28-Feb-2018
				Comment			
No Change	Direct Beneficiaries from social infrastructure projects implemented in merged municipalities	<input type="checkbox"/>	Number	Value	0.00	113731.00	40000.00
				Date	28-Feb-2013	21-Mar-2016	28-Feb-2018
				Comment			
Revised	Number of municipalities that have updated their fixed assets and valuation database	<input type="checkbox"/>	Number	Value	0.00	122.00	100.00
				Date	28-Feb-2013	21-Mar-2016	28-Feb-2018
				Comment			
Revised	Number of municipalities that have updated their Strategic Development and Investment Plans (SDIPs) through applying participatory approach	<input type="checkbox"/>	Number	Value	0.00	115.00	90.00
				Date	28-Feb-2013	21-Mar-2016	28-Feb-2018
				Comment			
Revised	Number of municipalities where the Operations and Maintenance software is rolled out by the end of MDP-II.	<input type="checkbox"/>	Number	Value	0.00	0.00	50.00
				Date	28-Feb-2013	21-Mar-2016	28-Feb-2018
				Comment			
No Change	Percentage of municipalities that recorded at least 20% reduction in processing time for at least two of the defined set of services in Citizen Service Centers.	<input type="checkbox"/>	Percentage	Value	0.00	90.00	100.00
				Date	28-Feb-2013	21-Mar-2016	28-Feb-2018
				Comment			